

VIA FAX 202/452-3819

July 19, 2004

Ms. Jennifer J. Johnson
Secretary of Board of Governors
Of The Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Ms. Johnson:

We were extremely disappointed to read the Press Release by the Federal Reserve Board announcing the Board's intent to withdraw the proposed amendments to the Community Reinvestment Act. The request for the proposed change was not to change the small bank requirements, but rather redefine the threshold for small banks to reflect current asset sizes. The thresholds for HMDA reporting are reviewed and changed regularly to reflect the current economy and trends in asset size. On the other hand, this kind of review had never been performed for the thresholds that define small banks for the Community Reinvestment Act, and we believe it was not only justified, but also long overdue.

On what basis did the Board determine the "potential reduction in community development capital" in order to make such an arbitrary judgment that the cost savings to community banks does not justify the "potential" adverse effects on certain rural communities?

It was very interesting to discover that the Office of Thrift Supervision announced on July 16, 2004, that it intends to issue a final rule modifying the existing "small institution" threshold for savings associations from \$250 million to \$1 billion. The logic the OTS used was clear and easy to understand and holds true for small banks as well. We are very disappointed that our Regulator does not have the good judgment of the Thrift Regulators. A copy of the OTS press release is enclosed for your information.

The Fed has disappointed us with this recent decision, but we are not surprised by this action because we are starting to expect such decisions from the Fed. Chairman Greenspan's opinions about FDIC Insurance are very disappointing to Community Bankers. It is our opinion that the Fed is not as concerned with the health and welfare of Community Banks as it should be.

Very truly yours,
VILLA PARK TRUST AND SAVINGS BANK

Terry Nordensten
President

CC: Mr. Art Calloway

Federal Reserve Bank of Chicago
230 S. LaSalle Street
Chicago, IL 60604-1413

Office of Thrift Supervision

FOR RELEASE at 2:00 P.M. EDT

For further information

Friday, July 16, 2004

Contact: Kevin Petrasic

OTS 04-26

202/906-6288

OTS to Modify CRA Small Institution Benchmark

WASHINGTON – The Office of Thrift Supervision (OTS) announced today its intent to issue a final rule modifying the existing “small institution” test for thrifts under the Community Reinvestment Act (CRA). The amendment will increase the “small institution” threshold for savings associations from \$250 million to \$1 billion. In addition, OTS will eliminate the requirement that small thrifts in a holding company with consolidated banking and thrift assets of \$1 billion or more are not eligible for “small institution” treatment under the CRA.

OTS indicated that it is amending the definition of “small savings association” under its regulations consistent with the agency’s ongoing efforts to identify and reduce regulatory burden, particularly for smaller institutions, where appropriate and feasible. OTS stated that its intent is to reduce the existing CRA examination and reporting burden on the affected savings associations in order for these institutions to be able to dedicate scarce resources in areas requiring greater attention, chief among these being implementation of anti-money laundering (AML) programs and Bank Secrecy Act (BSA) compliance initiatives.

OTS noted that the rule will permit the additional “small savings associations” to be subject to streamlined CRA examinations as well as reduced data collection and reporting burdens under the CRA. The agency added, however, that the final rule will not in any manner relieve small savings associations of all other existing and ongoing compliance requirements and legal obligations under the CRA.

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases and other documents, visit the OTS web page at www.ots.treas.gov

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